

THE IMPACT OF THE GLOBAL CRISIS ON THE ACHIEVEMENT OF MDGs IN INDONESIA¹

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Global Economic Crisis: A Catalyst for Change?

The financial crisis that first emerged in the US in August 2007 has transformed into a global economic crisis. However, as recently as April, some economists were confident that much of Asia – in particular China and India – including Indonesia would be able to avoid a deep recession even amid the current breakdown of the global financial system and the resultant collapse of international trade and investment. A rosy picture was painted of a region that would fare much better than during the 1997 Asian financial crisis. The newest release of the Indonesian National Statistical Body (BPS), shows the controversial decreasing of poverty rate in Indonesia. (July 2009)

Critical observers believe that these expectations were way off. Asia is suffering even more today than it did in 1997. The speed and ferocity of the region's economic downturn have shocked even pessimists. The latest projections from multilateral agencies suggest that the world economy will contract in 2009 for the first time since the Second World War.

Asian Development Bank projections for 2009, for instance, show a 3.4% decline of Gross Domestic Product in Asia (outside of Japan), down from 6.3% growth in 2008. We need to discard the rosy picture and address explicitly the potentially game-changing impact of the crisis. An important characteristic of the current crisis is that the more export-oriented a country is, the more vulnerable it is.

Korea — a leading exporter of memory chips, mobile handsets, cars and ships — has been hit hard by the global downturn.³ In February, Korean exports dropped as much as 26 percent from a year ago and imports plunged 40 percent, dragging down industrial production and investment, and increasing unemployment. For Taiwan, another prime example of Asia's export-oriented 'global factory' model, exports declined by 42 percent in January compared with the same month in 2008, the second straight month of such a steep decline.

According to the World Bank, the spreading global economic crisis is set to trap up to 53 million more people in poverty in developing countries this year on top of the 130-155 million driven into poverty in 2008 by soaring food and fuel prices. This will bring the total of those living on less than US\$2 a day to over 1.5 billion.

The World Bank also estimates that developing countries face a financing gap of \$270-\$700 billion depending on the severity of the economic and financial crisis and the strength and

¹ Paper presented in the international conference with the theme: "Towards A New Paradigm, Sustainable Human development: What Perspective", Sanata Dharma University, Yogyakarta 20-22 July 2009.

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³ The three most affected groups would be low wage workers in the export oriented industries, migrant workers who would face further discrimination and young entrants to the labour market. (ILO Thai, 2009)

timing of policy responses. Developing countries are likely to face higher spreads, and lower capital flows than over the past 7-8 years, leading to weaker investment and slower growth in the future.

How deep and persistent will Asia's downturn be? If the world economy will take years and not months to recover, which I think it will, it follows that profound adjustments may well be necessary in Asia's export-oriented development model.

Take China. Driven by a rapidly expanding global economy, its dependence on international trade has doubled since 1998, from 30 percent of GDP to as high as 60 percent in 2008. But this year, both international trade and investment are falling off the cliff. As the global crisis deepens and hits demand in the U.S. and Europe as well as in emerging economies, Chinese exports have suffered the biggest slide in a decade – 26 percent in February – while its imports fell almost 24 percent.

Coping with these fundamental external disruptions will require profound adjustments. Hence the real question is, both for China and for Asia at large: Will governments be able to use the crisis as a broad catalyst for change? There is much talk that Asia needs to upgrade its economies through innovation. Such a shift in strategy is necessary to address the region's vast needs in food, shelter, medical services and infrastructure, and to counter its environmental degradation.

But as of now, Asia is still ill-prepared to mobilize resources for economic recovery. As a share of GDP, the stimulus packages announced in much of Asia are considerably smaller than in the U.S. (8 percent), Japan (6 percent) and Germany (3 percent) – with two exceptions: Singapore (3.2 percent) and China (7.1 percent). What sets China apart from its Asian neighbors is that high fiscal reserves and a very low level of debt provide ample resources to continue priming the economy.

China is now big enough to shape things, both in Asia and globally. Most observers expect China to move sooner than most other countries to economic recovery. This could facilitate attempts to implement real 'upgrading through innovation' strategies. But a relatively quick recovery could also undermine such efforts, since so many vested interests (in state-owned enterprises and the national security apparatus) are pushing for the status quo.

There are some positive changes already in the works - efforts to promote new domestic industries like next-generation vehicles and development of a domestic solar market. China's stimulus package also includes substantial investments in healthcare and education, two key aspects of building up a more diversified economy, where manufacturing is complemented by domestic service industries.

Yet even for China, the barriers remain stacked high against attempts to use the crisis as a catalyst for change. For instance, the freefall in global demand, combined with widespread excess capacity, is giving rise to price deflation and reduced wages, which in turn will constrain China's own consumption. This could well strengthen the hand of those in China's leadership who favor depreciation in China's currency exchange rate relative to countries with a less flexible labor market, which includes the U.S. One option may be to peg the Yuan to the dollar to maintain parity, in order to conserve China's more than \$1-trillion investment in U.S. treasuries.

The scariest prospect is that this may well prompt governments worldwide to move toward more protectionist policies, possibly igniting trade wars with global ramifications. Let's hope that leaders in Asia as well as in the U.S., Japan and the E.U. recognize the urgent need for new strategies and new economic growth models before that disturbing scenario comes to pass.

Indonesia's Challenges

What is the likely impact of the most severe global recession since the Second World War on the Indonesian economy? How has the Indonesian government responded to the rapidly deteriorating international economic environment?

At the beginning of 2008, there was considerable optimism that the Indonesian economy, unlike the 1997 financial crisis, would largely escape the effects of a looming global economic downturn. By 2007, growth had reached 6.3 percent, the highest in the post-crisis period. The economy was poised to post a similar growth rate in 2008. The stock market was booming and reached the highest level in its history in January 2008.

Indeed, in a January 2008 paper that assessed the medium-term economic outlook for Indonesia, Bank Indonesia observed⁴:

The overall forecast is for further improvement in the Indonesian economy in the coming five years with growth in the range of 7.4-8.0 percent. This projection assumes that world economic growth and volume of world trade remain strong alongside sustained high prices for oil and natural gas and non-oil commodities, relative stability in world and Indonesian monetary policy, robust fiscal conditions in Indonesia and rising inflows of FDI in Indonesia.

The major sources of this growth will be significant inflows of FDI stimulated by improvements in the investment climate with FDI reaching 1.5 percent of GDP in 2012, bringing the share of investment to about 30 percent of GDP that year."

Throughout much of 2008, the monetary authorities seemed concerned with containing inflationary pressures stemming from the dual food and energy shocks. The official interest rate was increased from 8.0 percent in January 2008 to 9.5 percent in November 2008.

Since then, the mood of policy-makers has shifted. In its report on monetary policy in the final quarter of 2008, Bank Indonesia noted that "In Q4/2008, Indonesia's economic performance began to show signs of impact from the global economic downturn'.

Official projections are that growth will be around 4 to 5 percent in 2009, but private sector forecasts suggest a 'worst-case' scenario of 2.5 percent growth in 2009. A recent World Bank policy note classifies Indonesia as a 'high exposure' country that faces significant crisis-induced deceleration of growth and a significant increase in poverty.

The Indonesian government has responded to the rapidly evolving global economic crisis with a combination of financial, monetary and fiscal policies. The deposit guarantee scheme for the banking system has been substantially increased to encourage continued lending to the real economy.

Monetary policy has been eased. The interest rate (as of March 4, 2009) stands at 7.25 percent, the lowest level since July 2005.

The Governor of the Bank of Indonesia, during a speech given at the 2009 Banker's Dinner, noted that the official interest rate is likely to be in the 5 to 7 percent range. A fiscal stimulus package has been enacted (effective from March 1, 2009) amounting to 1.4 percent of GDP.

⁴ See: Iyanatul Islam and Anis Chowdhury, Global Economic Crisis and Indonesia, The Jakarta Post, May 7, 2009

It is doubtful whether these responses are going to be effective in dealing with the 'worst-case' consequences of the global recession on Indonesia. Ross McLeod, a well known Indonesia specialist, notes that although the deposit guarantee scheme has been 'increased by a factor of 20', it still covers only about 50 percent of the total value of assets.

If conditions deteriorate, there is every possibility of a run on banks by large depositors'. While the reductions in the official interest rate are welcome, one wonders whether the rate was held too high for too long.

Given that monetary policy operates with a long and variable lag, it is difficult to assess the extent which the current easing of monetary policy can offset the effects of a phase of tightening that was sustained between January and November 2008.

The fiscal stimulus package deserves further scrutiny. If the worst case scenario of growth falling well below the projected 4 percent rate materializes, then the magnitude of the fiscal policy response may not be enough.

One can also express reservations about the composition of the fiscal policy package. Approximately 77 percent of the Rp73.3 trillion is in the form of tax cuts. They consist of reductions in both indirect taxes and income taxes.

The balance is directed towards infrastructure expenditure (Rp12.2 trillion) and direct subsidies (Rp4.8 trillion). Thus, a modest amount has been allocated towards enhancing job-creating public expenditure and hardly any resources seem to have been directed towards scaling up the social protection system.

Yet, it is widely acknowledged that tax cuts are not as effective as job-creating public expenditure or a scaled up social protection system in dealing with the consequences of a systemic global economic downturn.

The Indonesian government seems to have designed its fiscal stimulus package by focusing on its impact on the unemployment rate. A 'simulation' exercise was undertaken by the Coordinating Ministry to work out how the unemployment rate will behave with expansionary fiscal policy and without it.

The exercise that was undertaken demonstrated that fiscal expansion along the lines described here would contain the rise in the unemployment rate to a prescribed threshold (8.3 percent in 2009). Given the nature and structure of the Indonesian labour market, the aggregate unemployment rate is not a robust indicator of the well-being of the Indonesian work-force.

A lot more attention should have been given to poverty-sensitive indicators in designing the fiscal stimulus package. In sum, throughout much of 2008, the Indonesian government did not seem particularly perturbed by the rapidly unfolding global economic crisis and its implications for the national economy.

There was a growing realization in the final quarter of 2008 that Indonesia will not be immune to the global economic downturn. It remains to be seen how effective national policy responses will be in dealing with the growing challenge of sustaining growth in the grim international environment of today.

Achieving The MDGs

Presently, Indonesia's Human Development Index ranking is among the lowest in the world. The MDGs constitute a measured and comprehensive blueprint for development, articulating the hopes, aspirations and needs of the most impoverished members of society. Hard work and effort are crucial in achieving the targets established by the MDGs, which focus on

poverty and hunger, universal education, child and maternal health, gender equality and the empowerment of women, and environmental sustainability.

Poverty

The number of people living in poverty in Indonesia needs to be reduced by half (approximately 7.5 percent of the total population) by 2015, the target date for achieving the MDGs. Yet, though we are a bit more than six years away from this date, 14.15 (as of March 2009) percent of the population (ca. 32,5 million people) still live below the poverty line according to the latest publication by the Biro Pusat Statistik (BPS, July 2009).

The eradication of poverty and hunger is, with good reason, the first of the Millennium Development Goals (MDGs). By 1990, more than 1.25 billion people worldwide were estimated to be living in extreme poverty or surviving on less than \$1 per day. More than 19 percent of people in developing countries currently live in extreme poverty, while in sub-Saharan Africa the present figure is around 41 percent (almost 1 in 2 people).

Fast forward to 2004 – in the aftermath of the financial crisis, which devastated many developing countries including Indonesia, it is clear that many countries are capable of reducing the number of people living in extreme poverty. Sub-Saharan Africa is the only region in which the proportion of the population living in extreme poverty has risen. In contrast, Indonesia has succeeded in reducing poverty levels by more than half.

It is often argued that extreme poverty indicators may not be the most accurate measurement of progress in Indonesia, also in other Southeast Asian countries, and Latin America. This is true. Indeed, based on the national poverty line in Indonesia, the proportion of people living in poverty only declined gradually, from 18.2 percent to 16.6 percent, in the early part of this decade. More significant is the proportion of the population falling into the 'almost poor' category. The 2007 national poverty threshold was the equivalent of \$1.60, resulting in almost 35 million Indonesians being categorised as 'poor'.

But, what about the 'almost poor'? Assuming that people who are 'almost poor' are living on more than \$1.60 and less than \$2 per day, the total number of Indonesians in this group is greater than 120 million.

The first Millennium Development Goal (MDG) calls for the eradication of extreme poverty and hunger. Food security, or rights to food, is defined as access to sufficient and affordable food which can relate to a single household or to the global population.

Despite political commitments to reduce world hunger, the number of people lacking access to the "minimum dietary energy requirements" (2,000 kilocalories per day) has risen from 824 million in the baseline year (1990) to 963 million in 2008. A further 750 million are assessed to be at risk according to the OneWorld.net website, April 21, 2009.

In Indonesia over the past three years, there has been a price leap among foods and other agricultural products. As a result there has been a decrease in food security with devastating

effects such as an increasing number of malnutrition cases, as well as an increase in maternal and infant mortality rates.

Unfortunately, until now, government policies have disadvantaged the agricultural sector and rural areas even though the largest portion of the population is employed there. This has been reflected in subsidy cuts and the import policy for agricultural products which have both impacted farmers' livelihoods and the development of the agricultural sector.

The number of poor people is growing. Most of these people are small scale farmers (petani gurem) with less than 0.25 ha of land, or agricultural-wage laborers. In accordance with the World Food Programme (WFP, 2005), poor and malnourished people in Indonesia will almost certainly not be able to escape poverty unless drastic changes are made to policies.

According to Amartya Sen, author of *Poverty and Famines*, the requirements of food security are not only based on food stocks but also food accessibility. In fact, the dangers of distribution inequity and economic growth have been recognized. As examples, income inequality is discussed by Simon Kuznets and Gunnar Myrdal and they show that in fact the "trickle-down effect" rarely occurs.

Since the 1980s, many developing countries including Indonesia have applied controls on agriculture in an effort to maintain the affordability of agricultural products for growing urban populations. This phenomenon was observed in the 1990s with Structural Adjustment Program (SAP) policy of the International Monetary Fund (IMF) as an absolute condition for financial aid and loans to developing countries.

It described the phenomenon as a macro-political problem which had led countries to withdraw funding from agricultural sectors and services and also the liberalization of policies dealing with pricing, markets and agricultural commodities. Under such conditions, in many countries, agriculture has become the worst affected macro-economic sector due to reductions of subsidies it has faced. The practice of SAP is the final part of rural development.

Based on the failures of rural development in Indonesia, it may be beneficial to examine the successes of South Korea, Thailand, Taiwan, Malaysia and China (since 1978), which have utilized agriculture as a means to drive growth in other sectors.

This strategy covers a few important areas; namely supporting small and medium family businesses, avoiding a subsidized credit system, developing infrastructure in rural areas, supporting technological developments and providing access to technology for farmers, as well as avoiding discrimination against the agriculture sector.

Through these policies there has been a leap in growth in agriculture sectors, increasing production and productivity, and decreasing poverty rates in the rural areas in those countries.

It is clear that a few improvements and modifications of policies are needed in Indonesia. First we need to introduce a price bias correction that presently relies too heavily on production regulation through market pricing. Making improvements to the agriculture sector and supporting innovations within it are actual needs.

Second, to renew the income bias policy which aims to provide wage improvements for farmers. This could be achieved through market mechanisms, or a basic subsistence stabilization policies and provision of assurance for farmers that they will not be evicted.

Third, amend male biased policies to improve the socio-economic status of women.

At the World Food Summit in Rome, 14 years ago, every member country (including Indonesia) was determined to reduce the Global Hunger Index from 840 million people to half of that figure by 2015. However, based on FAO data, in 2005 the total number of people living in hunger had remained relatively unchanged - still at 825 million.

While urbanization has occurred rapidly, between 60 and 70 percent of the Indonesian population still live in rural areas, and around half of these are small scale farmers who face food shortages.

Two thirds of small scale farmers are marginalized because they have infertile land, are isolated, have no assurance of their rights to land, or do not have access to credit.

Other factors they face include unreliable infrastructure and dependency on traders. And without ownership of land, around 30 percent of these farmers have been forced to work as agricultural-wage laborers, seasonal fishermen or forest industry workers.

Food security must be addressed by various groups. Changes that have occurred because of the commercialization of productive resources, water, seeds and the decline of prices for agricultural products and asymmetric liberalization of agricultural trades, have ironically made conditions more difficult both for those facing food shortages and for farmers who could alleviate this problem.

The history of agriculture in Indonesia is characterized by worries over the shift from subsistence production to market-oriented production. This transformation was once embraced as one of the requirements for increasing productivity.

Although improving the availability of crops to the majority of people working in other sectors, this transformation is affecting the agricultural sector. It did not eliminate unbalanced and discriminatory market structures and it lowered the costs of commodities, thereby forcing market-oriented farmers to be worse off than subsistence farmers, who are more dependent on environmental conditions.

A strategy to develop sustainable development is a shift toward synergizing the different goals of protecting crops, safeguarding income and developing sustainable agriculture. They should be incorporated in national development goals and agricultural promotion efforts.

First of all, the manufacture of chemical fertilizers and mechanized agriculture as endorsed during the Green Revolution, at least for the short term and the mid term, gave significant results. At the same time it had serious ecological effects, such as the loss of diversity, decreased soil quality and salinization of soils due to irrigation and the decline in soil moisture. It also had social repercussions, such as the marginalization of farmers living around modern factories.

The development of staple foods in many developing countries has shown that significant increase in production can only be achieved by producing fertilizers and seeds in increasingly large quantities over time.

The experience so far has not yet demonstrated a means to ensure food security for the constantly rising populations in developing countries. This is unlike the shift in consumer behaviors witnessed in industrial countries where more and more consumers are turning to vegetables and subsequently shifting from animal husbandry to agriculture.

The conclusion to be drawn from this new trend is that a very important factor in increasing agricultural productivity lies in optimizing farming that is conditional on natural circumstances and the demand for commodities, like the dependence on milk and vegetables in urban areas.

Second, more and more farmers are dependent on money to fulfill their needs no matter how low the living standards of farmers. There is simply never enough for self-subsistence.

This is very similar to the workings of national and global markets. Exports in principle are conditional on import commodity funds. Production oriented toward exports will only be profitable when revenues are high and stable in comparison to domestic production.

In the majority of rural areas in developing countries hunger cannot be alleviated by an increase in the production of foodstuffs, but rather by increasing people's revenues, while also providing basic goods at affordable prices.

Third, the assumption that diversification of basic goods is the most environmentally friendly means of agricultural production does not always prove true. For example, the planting of tea and coffee on hill slopes prone to erosion is more environmentally friendly than planting seasonal crops.

The agriculture goals of the three dimensions listed above can be expanded upon. Another thing that is often assumed without question is that subsistence crops are the best means of ensuring food security for the entire nation. What one needs to pay close attention to is the

fact that dependence is by no means diminished when seeds, chemical fertilizers and equipment are imported for such production.

On the other hand, agricultural policy oriented towards exports by supporting large-scale producers will eventually lead to an imbalance in revenue and as such will impede access by poor citizens to basic needs.

The development of sustainable agriculture requires a reformulation of the recipe applied to date, whether it involves a modernization policy through such programs like the Green Revolution, or alternative solutions to increase subsistence production, self-supporting food policies as well as anti-export campaigns. These improvements need to be ecologically, economically and socially appropriate.

Sustainable agriculture is very dependent on a rural infrastructure that is integrated both regionally and nationally. In accordance with this, several of the following areas play an important role in ensuring such integration.

First, it is the owners' and producers' responsibility to distribute revenue.

Second, institutions must secure and determine conditionalities in the equalizing process that help poor farmers and landless farmers by marketing and providing access to credit, agricultural advice and raising the negotiating power of farmers politically.

Third, physical and social infrastructure such as health services, education, transportation and communications should be provided.

Finally, existing agro-industrial economic structures need to be improved as does the availability of employment outside the agricultural sector.

In general, sustainable agriculture must be considered on the condition that a sociocultural transformation ensues that develops traditional knowledge, improves understanding of development and introduces new respect for natural conditions and limitations.

Hunger

In Indonesia, the news about death cases due to starvation and other malnutrition cases in several areas throughout the country, not only questioned our humanity, but also shocked many of analysts as these cases occurred on areas that (once or remaining) identified as rice or other food staples' producers.

The agricultural development, as one of labor-intensive sector, has become the victim of the tariff's policies, such as the cut of subsidies and imports of agricultural products that have suffered farmers and aggravated the development in that particular sector.

The growth sources focused solely on the consumptive and capital-intensive sectors. It is no surprise that there were times that every one percent growth was used to create between

300,000 and 400,000 job opportunities, and now it can only create about 178,000 jobs. Eventually, more and more population are falling into poverty. By using the World Bank indicator, those who are considered as poor as to live under 2 USD/day come out at fantastic figures, 135 million inhabitants.

Whereas, in Food Summit in Rome over 10 years ago, all the participating countries including Indonesia have determined to reduce to half the global famine rate from 840 million inhabitants in 2015. Yet, according to FAO 2005, the total starving population is stuck at 826 million inhabitants⁵.

According to the Task Force on Hunger - a UN formed agency - despite the rapid urbanization, 80% of the total world population still live in the rural areas. While half of these rural people who face food security and starvation problems come from poor farmers' families. Two third of poor farmers are considered marginalized because they have barren land, isolated and no land right security and no access to loans. The other reasons are they suffer from bad infrastructure and have high dependence on the intermediaries. About 30% of these farmers are worse off as they do not have their own land and work as farm labors or seasonal fishermen whose livelihoods depend on the forest products (Armin Paasch, 2006). The fulfillment of right to food should be firstly targeted at these people.

In reality, since the last decade, they have been worse off. The structural changes in the form of commercialization of productive resources, such as land, water and seedlings; the plummeting of agricultural products' prices and the asymmetry liberalization of agricultural trading are the causes behind the situation. The shrink of the size of development aid in this sector has also intensified the marginalization, from 25 million USD to only 12 million USD between 1986 and 2000 (Windfuhr, 2005). In response to a critic rose by an independent institution, several rich countries argued that the reduced size of multilateral development funding was, in fact, one of the positive impacts of the efficiency.

Theoretically, the claim may be justified. However, many doubt the multilateral initiatives related to landreform accessibility, e.g. the one proposed by the World Bank, will bring positive impacts for those who starve. Landreform is a new economic and political term in which one of the keyword is property rights. The utilization of the term of accessibility reminds us to Amartya Sen and his assumption of entitlement, that no one should be hungry as there are sufficient foods in the world. Those who starve are because they have no access to food production.

Following the World War II, three Asian countries that implemented land-reform successfully were Japan, South Korea and Taiwan. Tenant farmers changed their status into land owners, while the landlords were advised to invest their land compensation to the industry sector. The status changes from tenant to owner, politically and economically, had several positive impacts. Not only that the new land owners possessed, besides their lands, infrastructure such as

⁵ Globally, every seven seconds, a child under ten years old died from hunger. While there were about 826 million of people, permanently, suffer from severe malnutrition (Jean Ziegler, 2006).

building and production tools; but also they understood the working system and they experienced as both manager and farmer.

When the similar system was implemented, for instance in Brazil and the Philippines in mid 1990s, the World Bank imposed “a market support land-reform”. The assumption was that a successful landreform required the voluntary participation from the landlords. Unlike the classic agrarian reform, the market support landreform does not take over the lands of the landlords, but orients more to willing buyer – willing seller concept.

Through flexible combination between loans and subsidies, the farmers without land groups bought land that were voluntarily sold by the landlords and invested for the land management. Direct payment based on market price was expected to weaken the resistance of the landlords and stimulated the land market and efficiency of market oriented production. The state’s role, through the local governments in this model, was limited in providing rules and regulation for the functioning of loans and land markets as well as in becoming intermediary between buyer and seller.

The World Bank was optimistic that this model was able to synergize the economic growth and the poverty eradication. However, independent analyst with Brazil, Columbia and South African experiences, concluded that the model did not work as expected. The goal of agricultural reforms in those countries was not accomplished, qualitatively and quantitatively. Nonetheless, despite the World Bank admitted the deficit (2003), it still insisted to expand the model implementation in other countries. In fact, South Africa who followed the World Bank’s advice, during the trial period (1995-1999) only distributed 1.65% or 200,000 hectares of the total 29 million hectares of available land (Borras, 2003). Similar situation happened in Brazil and Columbia together with land prices’ rise beyond their actual qualities and location. No wonder that the global peasants network ‘La Via Campesina’, for instance, demanded that the World Bank agrarian reform stopped prior the release of independent evaluation result on the programme impact to rural poverty (Paasch, 2002).

The answer to the weakness of the agrarian reform by state, according to La Via Campesina, is not the abolition of the program, but rather improving and strengthening the roles. “Agrarian reform is the responsibility of the state in enforcing the human right, ie., the right to food. The government is obliged to fulfill the most fundamental human rights by providing access to land, seedlings, water and other productive resources so that the people can make available their own food” said Sofia Monsalve, coordinator for the international campaign on the agrarian reform “ Bread land and Freedom”, which was supported by La Via Campesina.

The latest data from BPS demonstrated that, in Indonesia, more than one third of children under five years of age, with the majorities come from peasant families, farm labors, fishermen and illegal loggers, are malnourished. This situation is frightening considering that their range of age is vital for the coming health and intelligence development, thus the nutritious food consumption is inevitable. Without a strong political will from the government, the situation will not improve. Because of the current situation, in addition with the drugs addition and other negative impacts of modern lifestyles, the majority of the next generation might be at risk to be

categorized as “the lost generation”. If this happens, anyone – especially presidential candidates - who has made promises to be pro poor during his/her political campaign, will become the accused in his/her own nation’s historical passage.

Unemployment

The UN Economic and Social Commission for Asia and Pacific (ESCAP) study warned that rising unemployment and falling incomes, on top of already high food prices, are increasing the pressure on the poor and vulnerable in the region.

Raising concerns over the return of pressures that drove food prices to historic highs last year once the global economy recovers, the “Sustainable Agriculture and Food Security in Asia and the Pacific” report stressed that the food crisis must be addressed as part of the response to the global economic meltdown. “Efforts at stimulating the economies also provide us a window of opportunity to address the systemic issues related to food insecurity,” said Noeleen Heyzer, ESCAP Executive Secretary.

She noted that “while the world’s attention is very much on the economic crisis, food insecurity remains a real threat. The study re-affirms that poverty is the leading cause of food insecurity in the Asia-Pacific region, which is home to 62 per cent of world’s undernourished. The lack of access to land also prevents many poor people from growing their own food. Other causes for food insecurity range from low farm revenues to volatile fuel prices and speculation.

Protectionist trade policies pushing up food prices is another cause of food insecurity highlighted in the study, as most countries in the region meet their national needs through imports. The new report recommends improving the ability for people to buy or access food through the development of social protection schemes such as minimum wage, unemployment benefits, “food-for-work” programmes, basic health care and agricultural insurance as short-term measures.

In the longer-term, food availability at the national level can be promoted through trade and investments in sustainable agriculture and small scale farmers will be important.

Of concern for countries were sectors dependent on exports and remittances and the knock on effect of decline to other economic sectors and to the most vulnerable and poorest. Potential loss of jobs and threats to decent work affecting many millions in the region was the central preoccupation of forum participants. Capacity to address this through stimulus packages was particularly worrying in countries with limited fiscal space or reserves to call upon.

An effective response to the unfolding large scale crisis requires a global financial system guaranteeing stability, security and fairness for all. (In an event in Manila)⁶ Participants

⁶ Delegates representing workers, employers and ministries of finance, planning and labour from Asia and the Pacific suggested policies and measures to be urgently put in place to mitigate the expected severe impact of the global financial and economic crisis on economies in the region, and to stimulate a more rapid, more equitable and sustainable recovery.

Delegates from 11 countries participated in a three-day, high-level regional forum in Manila, called to analyze the global downturn and identify critical policy responses and practical measures. Officials from the Asian Development Bank (ADB), the World Bank, the International Monetary Fund (IMF), other UN agencies, academics and foreign diplomats also attended. (ILO Manila)

highlighted that governmental and international action had to be coordinated and coherent. Economic stimulus packages needed to be comprehensive and target job preservation and creation and social protection as central to sustainable recovery and growth. Practical measures called for included:

- Protecting and supporting decent jobs;
- Collective bargaining and social dialogue particularly in negotiating flexible hours, wages, temporary lay-offs and severance packages;
- Rolling out quickly infrastructure and labour-intensive public works projects, to keep men and women in work, particularly those retrenched;
- Enterprise support measures including access to credit to focus particularly on small and medium sized enterprises (SMEs) and entrepreneurs.
- Targeting support to specific sectors such as the rural and agricultural economy, and for vulnerable groups of workers - international and internal migrants, informal sector workers, women and young people;
- Social security and social protection systems to be expanded to support vulnerable groups and increase disposable income levels;
- International and regional support to include funding for developing countries and easing of conditionality in funding from international financial institutions.